

A COMPARATIVE STUDY OF PUBLIC-PRIVATE PARTNERSHIPS
STRATEGIC MANAGEMENT OF CHANGE

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ABSTRACT

The problem that this paper will address focuses on the nature of the public-private partnership. This includes examining how these partnerships differ and if there are specific criteria for successful partnerships.

It is the purpose of this study to compare different types of public-private partnerships that have successful results due to the partnership. These case studies will provide the reader with a greater understanding as to the reasons why and how public/private partnerships can be successful. This descriptive study is a comparative analysis of public/private partnerships. The specific research questions that will be addressed include:

1. How are the public/private partnerships structured?
2. What does each entity bring to a partnership?
3. What are the terms of agreement between each partner?
4. How are these partnerships monitored during the term of agreement?
5. What are the benefits from the partnership?

With the ever increasing challenges facing both the public and private sectors today, it comes as no surprise that joint ventures between and among public and private entities continues to be more of the rule, than the exception. This research paper will compare and analyze three specific case studies involving public-private partnerships. This study will pay particular attention to:

1. The driving forces responsible for public-private partnerships
2. The benefits of partnerships
3. The architecture of the public-private partnership, especially as it relates to their capital infrastructure

Conclusions drawn from the literature research and the specific information found within the public/private partnership, provides a research base for anyone seeking a public/private venture. The results of this study overwhelmingly point to the successes that result from such partnerships. Finally, this study provides the reader with the necessary elements that characterize sound partnering practices.

Recommendations include suggestions for further research into additional case studies that address the financial arrangements between the partners.

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INTRODUCTION

The issues surrounding the formation of partnerships are not new. Our forefather's recognized the value of working together towards a common goal. This was perhaps one of the earliest examples in which people came to realize their goal through collaboration. The motivating factor for these early collaborative ventures was survival. Perhaps it is the very nature of the collaboration, as much as anything else that creates the win-win results so often evidenced in a joint venture.

These partnerships, or collaborations should be viewed as a new dimension, each maintaining their individual characteristics, yet for the purposes of the partnership, creating a new identity.

One has but to open the daily newspaper to read about a new merger, or joint venture between two companies that have a common interest in creating better service, or perhaps a new product. Looked at from this perspective, one might conclude that this is the driving force behind any partnership. There are however many motivating factors which stimulate the desire to form partnerships.

PROBLEM STATEMENT

The problem that this paper will address focuses on the nature of the public-private partnership. This includes examining how these partnerships differ and if there are specific criteria for successful partnerships.

PURPOSE OF THE STUDY

It is the purpose of this study to compare different types of public-private partnerships that have had successful results due to the partnership. These case studies will provide the reader with a greater understanding as to why and how public-private partnerships can be successful. This descriptive study is a comparative analysis of public-private partnerships. The research questions that will be addressed include the following:

1. How are these partnerships structured?
2. Who brings what to a partnership?
3. What are the typical terms of agreement between each partner?
4. How are these partnership's monitored during the agreement?
5. What are the benefits from partnerships?

BACKGROUND AND SIGNIFICANCE

The fact that there exists an ongoing and continuing effort on the part of business to address their needs by seeking joint ventures which incorporates the public sector makes research, such as this paper valuable. By studying the various types of models in existence, information gathered that answers the previously stated research questions becomes a resource for others and adds to the existing body of knowledge.

This research is relevant from a historical perspective in that it examines public-private partnerships that have been successful. These are the predecessors of the late 1990's and need to be presented in order to understand why and how they were successful. This is especially important in terms of looking at the infrastructure of the partnership.

This research is also relevant from an organizational standpoint, in that as the need to provide better services to the customer increases, so will the need to provide alternative strategies to effectively organize to meet these challenges. These needs assessments and research studies have their foundation in the existing research and it is important that this research continue to add to the data base of information.

There has been little written from a comparative perspective on public-private partnerships. By far the majority of what is available concerns itself with specific case studies. This is especially evident in the educational arena and while this is an important source of information, there exists a need to present models that compare the different types of partnerships in existence.

This research is relevant to the National Fire Academy course, Strategic Management of Change because public-private partnerships are becoming more common place in the fire service. From management's perspective, while this appears to be viable for bringing new resources to an organization, the business form, capital structure and risk analysis have, as yet not been seasoned enough to ascertain the viability of such mechanisms. Therefore, in that the organization is in a constant dynamic state, management is required to consider incorporating well-analyzed new techniques for achieving improved service deliveries.

LITERATURE REVIEW

The purpose of the following review is to establish a base line of information for the reader and support for the study. The literature examined falls into three categories: (a) the driving forces behind public-private partnerships, (b) the organizational structure public-private partnerships, and (c) the current trends in partnerships.

Driving Forces

It is a safe assumption that today's economy is rather like the weather, it can change almost without notice. The changes that one finds in our economy have resulted in a variety of occurrences. One such occurrence is deregulation. With the deregulation of certain utilities competition increases as a result, prices will find a new level. In the case of the power companies, one can expect lower prices to the individual consumer, as well as the commercial residents. As a result, an increasing number of utility companies will cut deals with anyone in an effort to get, or keep business. One such company is Pacific Bell, who has entered into a number of public-private partnerships in an effort to motivate the consumer. Incentive program offering reduced rates are abundant and necessary for the continued success of this utility. (Kiplinger, 1996) One might speculate that perhaps the pressures that are placed on the marketplace today are sufficiently strong that result in creating a greater need to seek alternative solutions.

The motivating factors surrounding the formation of public-private partnerships vary according to need. What is clear is that partnerships represent a good vehicle for achieving that which a single entity can not accomplish alone. The following characteristics have been found to be a good measure as to the understanding of the forces behind the existence of partnerships. (Fantozzi, 1998)

- The public sector needs capital, which the private sector can provide.
- The public sector can provide a service, which the private sector needs.
- The public sector seeks a new infrastructure, which is provided by the partnership.
- The public sector is seeking ways to provide opportunities to franchise. The needs are met by the management and organization provided by the private sector.
- The public sector is also seeking new technology, which is also provided by the private sector.

Another driving force that should be considered is the changing demographics. According to Frey, 1988, changing demographics has been the impetus for a variety of partnerships. Shifts in our population, weather patterns, cost of living and changes in the workforce have given rise to many studies and reports with the intent of determining what the role of the Federal, State, and Local governments will play in addressing problems concerning these demographics shifts.

Nowhere can we see more evidence of the forces responsible for partnerships than in our schools. According to Anne Bryant, Executive Director of the National School Board Association;

“There is a growing interest in businesses connecting with school children for great reasons, children constitute a huge market.” (Zehr, 1997) Indeed, businesses have given and are giving more, to our schools today. According to this study businesses are motivated by the desire to be good corporate citizens. David Keres, past Deputy of US Secretary of State of Education, and former Chairman of the Board, at Xerox, states: “Business motivates for involvement in education are both selfish, and selfless.” (Kuhn, 1990)

Perhaps the motivating factor behind the business interest lies in another area. (Finn, 1990,) reports that the primary reason that business is interested in education is really related to its concern about the nation's economic condition. While not being able to definitely state the real reasons for business involvement in schools, we can suggest that businesses are motivated to make a profit. Industry too, has been stimulated to seek partnerships with private universities for the express purpose of research. The Government-Industry-Research Round Table has reported a dramatic increase in partnerships, between public organizations and private universities. Opportunity to acquire new technology, hardware and research grants is definite incentives for universities to enter into partnerships. (Government-University-Industry Research Roundtable, 1995)

Whatever the motivation behind the establishing of the partnerships, it is a fair assumption that both parties enter into the agreement with the expectation that only good can come out of such a partnership.

There is another possibility that is worthy of consideration. Even though both public and private entities are committed to providing better service to the customer, reaching this goal may result in downsizing and reduction in the workforce, especially in the private sector. (Public Works, 1997)

Organization of Partnerships

Some of the questions regarding partnerships that are not always asked, but are extremely important for those seeking to develop a public-private partnership include: What does this partnership look like? Is there a particular organizational structure to these partnerships? What are the costs involved in setting up these partnerships? What are the guidelines for setting up the legal aspects of a partnership? Who monitors the partnership, after its inception? What are the benefits from such partnerships?

The first step in creating any partnership is that there exists a desire to form a partnership. One method that is common is to have pre-partnership meetings that outline the needs of both parties. Each party is allowed to determine the benefit of the partnership to itself. The next step is to establish an agreement that promotes an understanding and clearly outlines the terms of agreement. Perhaps, more than anything else, it will emphasize open communication, which over time results in trust. (Van Winkle, 1996)

One of the most important questions that need to be addressed is that of the costs involved in establishing the public-private partnership. There are start up costs, costs that are needed to maintain an ongoing effort throughout the course of the agreement and those unexpected costs that no one can predict.

The answer to these questions regarding costs will also vary as to the nature of the project. The City of Hemet, California was faced by how to pay for major redevelopment within the city. To determine what these costs would be, a Blue Ribbon panel and a Community Development Commission were convened to find an equitable solution to the problem. The result was that this joint panel, comprised of city government and business leaders decided to spread the costs between developers and the city so that payments were minimized. This resulted in a successful conclusion because the City completed the redevelopment project without substantial outlay of capital. The public were also winners since they will now benefit from the improvements in the city where they reside without a major tax increase.

These creative options for finding ways to fund partnerships extend beyond the local governments and are also evidenced to a greater degree in County, and State Governments. The challenges facing these governmental bodies have resulted in placing pressure to resolve these problems, or face the alternative of additional financial burdens in an effort to provide the same level of service to the public. As the laws change to reflect stricter Federal guidelines, as in the case of water purity, so there are additional pressures placed on agencies to comply or face stiff penalties.

According to a 1992 survey completed by the Environmental Protection Agency, it will cost Federal, State, and local governments \$137 billion over the next 20 years to comply with the Clean Water Act. This represents a \$54 billion more than the previous survey completed in 1990. Based on these figures, it will cost an additional \$49 billion to meet these guidelines by the year 2000. (Correll, 1996)

These costs will have to be passed along to the local taxpayer at some stage. The question as to how to pay for these increases and meet the federal guidelines is relative to every citizen. As a result of this huge problem the local communities have begun searching for solutions in the private sector. The example provided below is one answer to finding a solution to the monumental problem involving water quality. The solution lies in establishing public-private partnerships between public and private water entities. These agreements allow local communities to retain control over their water systems.

The model used was taken from an existing partnership in Hoboken, New Jersey. The problem in Hoboken is representative of places throughout the United States. Hoboken was losing \$800,000 each year in the process of attempting to maintain water service and meet the increasing water standards. This resulted in a 35% water rate increase to continue to subsidize the water department through taxes.

The solution was that the city negotiated a public-private partnership with United Water Authority. The agreement allowed for United Water to maintain and improve the existing water facilities, while collecting bills for the city's 33,000 residents. In return, the city would retain ownership of the water system and received an up front case payment of \$5.5 million as well as several capital improvements to the system. The value of these improvements was in excess of \$4 million over a ten year span.

Through this agreement Hoboken was able to improve service to its customers and meet the increased standards set forth in the Clean Water Act. Successful in that it also allowed Hoboken to retain ownership, and therefore control over rates increases, while benefiting from the professional management of United Water.

The answers to the research questions first posed in the beginning of this section have been given, however to encapsulate:

Problem - meeting the standard of the Clean Water Act

Solution - a public-private partnership that resulted in upgrade existing facilities and providing a professional management of the water facilities.

Costs - paid for by United Water. \$5.5 million dollars, up front, plus \$4 million in facilities upgrades.

Term of Agreement -

The term of agreement is for 10 years and is renewable for up to 40 years.

Benefits - to United Water provides management services to city, as well as technology for maintaining increased service to the customer. To the City, increased service without severe rate hikes; retains ownership of water rights.

It is noteworthy that the Governor of New Jersey greatly assisted in the fostering of these kind of partnerships by passing legislation that eliminated much of the red tape that restricted partnerships between municipalities.

The overall result of this statewide movement is that owners of public utilities can now enter contracts with investor-owner water companies to manage and maintain their system. In return, the local municipalities are permitted to collect concession fees from the companies for additional tax relief.

The following section is directed toward the trends that partnerships are taking.

Trends in Partnerships

Wastewater Management

In order to understand the trends in the creation of public-private partnerships, it will be helpful to look at examples of partnerships that have been formed. These examples have been selected from areas that have presented special challenges to both the public and private sector on a state, and national level. The previous example was used to demonstrate how a partnership looks and answered questions concerning the exact nature of any partnership. We would now like to direct our attention to specific examples of partnerships that have been formed as the result of problems facing the nation. These examples provide us with some direction for the way which public-private partnerships may be headed.

Overview of Problem

The need to provide more efficient wastewater treatment is an ongoing issue with every community. In the Indianapolis area it was a major challenge. In order to meet the continuing service needs of the public a 33% rate hike in sewer rates was planned. A committee conducting an 18 month research project concluded that a 5% savings could be realized by contracting with an outside water treatment service.

Organization of Infrastructure

The solution that presented itself was unique. The city contracted with a private entity, Argus Incorporated. The partnership, known as the White River Environmental Partnership, is comprised of IWC, a holding company of Indianapolis Water Company; JMM Operational Services, an environmental engineering company from Denver, Colorado; and Lyonnaise des Eaux, a French utilities company who specialize in waste water management.

Term of Agreement

The city, over the five-year term of agreement elected to sell the facilities and contract for services from the private sector.

Successes

The benefits include: a savings of the 33% increase in sewer rates; a return of revenue in the amount of \$24 million to the City of Indianapolis; an increase in water quality. Another benefit from this partnership was the creation of a safety committee that meets monthly to review and evaluate plant conditions. This has had an immediate result of lowering plant accidents by 80% over the past two years. This partnership continues to meet the increasing standards and still provide the citizens of this city with better service. (American City and County, 1996)

Juvenile Detention

Yet another example has to do with meeting the challenges of our county facilities and juveniles who are known multiple offenders and underage.

Overview of Problem

This example focuses on an increasing problem with our youth that have been labeled as “high risk;” these are multiple offenders who are minors. The County facilities are full to overflowing and the bottom line is that there is no more room. This represents a challenge not just for the County, but for the community at large. What do you do with school age youths that are on the wrong path and have committed repeated offenses?

Organization of Infrastructure

Searching for creative solutions to meet the needs of the community resulted in a program known as, “Choices.” This program allows students; designated by the court system the opportunity to complete their studies leading to a high school diploma. The funding for this program saw a partnership created from private venture capital and the County of San Diego. A Foundation has been established under the control of San Diego State University. The University functions as the administrator of the foundation. The private component has donated \$1 million dollars. The County bringing the total amount to \$2 million matches these dollars. The funds are used to administrate the program and for salaries of the social workers that are hired to monitor the progress of the students placed in the program.

Initially, the costs of the program were set at \$66,000 per year. This was based on the number of students at 20. As the number of students increased, so too would the number of social workers needed to monitor the students and therefore the amount needed to run the program.

Term of Agreement

This was a three-year agreement. The program is completing its second year. At the end of this school year there will be a review and a report rendered to the County, as well as the private investor to determine the successes of the program and determine if the program will be extended for an additional time.

Successes

If sheer numbers are an indication as to the success, or failure of a program, such as this then “Choices” must surely represent a success. At the onset of the program there were 20 students. There are presently 80 students in the program with few, if any dropouts.

The benefits to the individual students are that they have an opportunity to straighten out their lives and become responsible, contributing members of society. From a community standpoint, it benefits the taxpayer, as it is more expensive to keep someone incarcerated than this option.

Educational Facilities

The final example provides a look at a problem that continues to grow. Successful alternatives, such as the one cited below are becoming more common as the need to provide additional facilities for our communities grows. The trade off is that there will not be expansion of services to meet the needs of the community. Public sentiment and pressure will not allow this to happen, so solutions are needed.

Overview of Problem

The problem of how to provide for additional community colleges remains on the forefront of problems facing communities today. The rising costs of four-year institutions have caused a tremendous increase in demand for additional courses and facilities at the community college level. Stimulated by this renewed interest in the two year, post secondary school from the community, the question of how to expand facilities and therefore service is important.

Organization of Infrastructure

The solution to this problem takes a desire on the part of the communities involved to provide these facilities. In this instance, Palomar College was experiencing a severe shortage of space and an increased demand for additional courses. The chief financial officer at Palomar, approached a neighboring city after it was determined through a needs assessment that this was the area of greatest need. Redevelopers were approached with the idea that they would donate the land and an existing facility that would need refurbishing to meet state codes. The costs involved in the partnership that was established were in excess of \$2 million dollars. These costs were spaced over a period of five years.

The majority of the \$2.2 million was paid for out of the college budget, with assistance from the State. Ongoing expenses would be earned by tax increments as a result of the areas redeveloped. The redeveloper's costs, from the land donation was set at 6% of the total, which came to \$120,000. This amount would be repaid over the length of the partnership.

Term of Agreement

This was a five-year term of agreement, however there was the option to extend this term, as needed. During this time, the parties agreed that the redeveloper's portion would be repaid.

Successes

The public benefits since there is increased educational opportunities for education. The college benefits since they too receive the increased revenue. There is also the benefit of having increased technology in the community from having the college present and offerings that necessitate state of the art telecommunication equipment. On the private side, there is an increase in the infrastructure, as well as tax benefits to the city and the taxpayer.

These previous examples have provided the reader with a glimpse of what direction partnerships are headed, however there are other areas that also demand attention. These include

transportation; health care facilities; National Parks, and care for the environment. As life continues to become more complex, so too the need to come up with more creative solutions to these problems.

The focus on specific case studies was selected because they are a good representation of a Governmental-Industry-University/Research Partnership; as Educational/Business Partnership; and an example of a Local Governmental Agency/private partnership. These case studies will provide detailed accounts of their infrastructure; what the costs are; and the benefits to each partner.

Summary

The study will examine specific case studies and analyze them according to their infrastructure and the successes that have resulted from the partnership.

The research questions that have been stated will be answered as a result of this examination in the result section.

A review of pertinent literature that is presented in the subsequent section has been divided into three areas: (a) driving forces behind public-private partnerships; (b) the organization of partnerships, and (c) current trends in partnerships. This section will be followed by an examination of the architecture of three specific case studies. Finally, a discussion section will present the conclusions of this study and point to recommendations for further inquiry.

PROCEDURES

A review of the literature has provided the reader with a glimpse of the driving forces, the organization of partnerships and cited some trends for the future. In an effort to answer the research questions posed, three additional case studies have been provided. These case studies were selected as representative of three separate segments of society: These include: Industry/University Partnership; Business/Educational; and City Agency/Private Partnership.

Limitations

The following are the limitations to this study:

1. This study will examine and compare a limited number of case studies; therefore it is limited in scope.
2. The recommendations from the comparison and analysis of the case studies are limited to the examples used.

Definition of Terms

For purposes of this paper, the following definition of terms will be used:

Partnership - the act of working together toward a common goal.

Public Sector - an entity that is in the business of providing services to the public, such as utility company.

Private Sector - businesses that are privately owned. These can be sole proprietorships, partnerships, or corporations.

Public-Private Partnership - an agreement that consists of public entities and private entities, working together to provide improved services, or goods for the customer.

Joint Venture - same as public-private partnerships, except that joint ventures can also include partnerships between two, or more private businesses.

CASE STUDIES

Case Study #1 is representative of a Governmental-Industry-University Research Partnership. Industry/University Partnerships can take on several forms. They include Single Company/Multi-University; Multi Company/Single University; Single Company/Single University; or Multi-Company/Multi University. The Single Company/Multi-University is the model represented in the Case Study #1.

Overview of Problem

This partnership was comprised of Hoechst-Celanese Corporation and Rutgers University, North Carolina State University and University of North Carolina, Chapel Hill. Hoechst-Celanese's primary interest was to develop a working relationship with multiple universities who shared similar research interests. In this case these areas consisted of the neuroscience, animal health, polymers and technology management. The above named universities were found to have similar research interests and this resulted in forming a partnership. The objective of this partnership was to provide an aggressive research environment in the aforementioned basic research areas.

Organization of Infrastructure

The partnership is organized around an all allocation process, by which a committee comprised of representatives from all participating agencies identifies, request and fund proposals from faculty. The company provides grants, educational workshops, research contracts. In the spirit of trust, all parties have agreed to handle intellectual property in such a manner that any and all deliverables become the property of the university. Further that the company has the first right of refusal to commercialize those products.

There are three levels of interaction between Hoechst-Celanese and the university partners. The first level is the executive level. At this level individual representatives from all parties meet to discuss and understand each parties role, intent, capabilities and working structure. The second level interaction can be thought of as, exploratory. At these levels project managers from Hoechst-Celanese

met with university officials and department heads and senior scientists to hammer out common ground in the research areas.

These meetings can produce other opportunities that may go overlooked. The third level of interaction is at the program level, wherein the company research and the university researcher actually work together on the specific research pieces.

The start up costs associated with this partnership were borne by Hoechst-Celanese and amounted to \$1 million at each of the participating universities.

Term of Agreement

There is no set term of agreement. As part of the agreement however, all research is subject to independent evaluation by a third party.

Successes

The benefit to Hoechst-Celanese is that they have provided an incentive for universities sharing the same research interests an opportunity to apply theory and concept and turn it into reality. The company benefits in that it has first right of refusal to any product produced within the partnership. A benefit to both public and private entities lies in the fact that they have stimulated interactions between different universities and the company so as to create a synergistic relationship.

The potential for these kinds of partnerships is limitless for it represents the potential to accomplish and solve virtually any problem. Clearly together they represent an opportunity not only to remain on the cutting edge of research, but also to take the next step of transferring this research into products for the good of the world. It is the consumers who are the real winners.

Case #2 concerns itself with Educational/Business Partnerships. The occurrence of business and educational partnerships is strictly dependent on the needs of the partners. As a general rule, business is the benefactor and the school the beneficiary. "Between 1983-1984 and 1987-1988, the number of business/education partnerships rose from 42,200 to 140,800. (Lankard, 1995)

As the expansion of these partnerships increased, so too the complexity of these partnerships. School system staff to "foster school community cooperation, provide incentives for students, supplement curriculum and staff and obtain equipment" created initially educational partnerships. (Clark, 1992)

Schools in the late 80's were faced with many reform issues and little money to pay for these improvements. The impetus for this was largely due to the need to provide an increasingly diverse, student population with higher order thinking skills and reasoning skills that would better prepare them to enter what had now become a largely service driven economy.

The business community realized that threat. How would they be able to compete with students leaving high school ill prepared to enter the work world with skills necessary to make them contributing members in the workforce.

This threat has resulted in a greater effort on both sides to put projects in place that will result in a better-trained workforce and serve the needs of the private and public sector. The following case study is representative of an effort by the business community and the Orange County School District to address this problem.

Overview of Problem

The problem in essence is that California students rank 3rd from the bottom in Math knowledge. The challenge facing educators today encompasses the rapidly increasing diversity of our population, the growing international development of commerce and the explosive increases in information technology. From a business perspective, the issues come down to a greater understanding of science, math, and technology are all-important basic skills in the workplace. Clerical tasks have become computerized and as a result more jobs require higher level skills that involve critical thinking, problem solving and the ability to communicate clearly. Many of these jobs are built upon the skills learned in science, math and technology.

Perhaps the real question is how do we address problems when the education of our youth is by in large the same as it was 40 years ago? The individuals comprising this partnership believed that the answer was in developing a common math and science vision (K-12). This vision needs to share a common assessment and accountability component that incorporates co-participation from businesses in the community.

Organization of Infrastructure

The solution was found in an existing program, known as: "Challenge 200." Located in the San Francisco area the Challenge Program is based on a capital venture model. Businesses act as investors and education competes for funding by submitting competitive proposals. These investments have a life span of between 3 and 5 years, however funding for any of the projects can be withdrawn for failure to meet agreed upon goals at the onset of the funding. The organization chart of all volunteer committees consists of the following:

<u>Staff</u>	13 Businesses 12 Educators	Next Century <u>Partners</u>
	Leadership Committee	Membership Committee
	Marketing and Communication Committee	Technology Committee
	Professional Development Committee	Evaluation Committee
	Selection Committee	Science/Technology Hub
	Compensation/Audit Committee	

The Next Century Partners are venture capital investors who have joined forces to create solutions for the future.

The goal of the Tomorrow Project is to raise \$100 million in cash and in kind investments to finance the program. It is anticipated that 50% of this investment will be raised in the public community. The agreed upon policy includes investing in the program on a venture capital basis. The investment portfolio includes US Treasury Bonds; Eurodollar Certificates; Municipal Government Bonds; Money Market Accounts; Floating Rate Notes; and Commercial paper.

Proceeds will be used to fund the elements of the Tomorrow Project, which include the Renaissance Program, The Hub Component, and pay for administrative costs. These include: two Renaissance projects will be funded the first year. 17 projects are expected to be funded over a period of five years of the program, for a total of \$34 million.

The expected outlay of proceeds for the Hub Project, which include staff development will be funded at the rate of \$125,000-\$250,000 per year and will total approximately \$34 million over the five year period.

The Discovery Science Center will house the professional development classrooms, telecommunications, and staff. The center will cost \$2 million to complete Phase 1 and a total of \$25 million to complete to Phase II. The estimated administrative overhead will be 5%, or \$5 million of the expected \$100 million. The capital investment chart is presented for a clearer picture.

5 year Total	<u>Private Company Foundation</u>		<u>Federal/State Matching Total</u>	
	\$50,000,000	+	\$50,000,000	= \$100,000,000

Term of Agreement

The term of agreement is for a period of five years.

Successes

Project Tomorrow demonstrates how the community can create solutions for the future by involving businesses as co-partners in education. It is important for our future generations. The case just presented can best be summed up in the term: “leveraging on success.”

The benefits to the community may not be immediate, but what is the cost of ignorance? It is difficult to measure in dollars the benefit to the school, the community, the nation, but what does stand out is that without programs, such as Project Tomorrow, the future will not serve society’s needs.

Case #3 is an example of a local agency within the City of Vista, California and a need to contract with private businesses for the express purpose of providing emergency medical services to the citizens and local surrounding community.

In 1998, it is no secret that city governments are facing ways to stretch their budget to the limit. Everything seems to be a priority item. One of the top considerations has to be providing emergency medical care for the city and surrounding local community.

Overview of Problem

In 1995, there was an overwhelming need to provide for additional emergency medical services. The City of Vista, and the Vista Fire Department conducted a six-month study to determine alternative ways to providing the much-needed services to the community. They examined existing models being used in other communities.

As of this date the Fire Department had to contract with private ambulance services to transport and render emergency medical help to the individual 911 calls. With a budget of \$6 million, the Fire Department had to maintain the four engines, and two emergency medical units, which were staffed by firefighters and Emergency Medical Technicians. Under this program the patient would be billed directly by the ambulance service for the emergency care and transportation. The average cost for these services was estimated at between \$300 and \$500. This did not include any IV’s, or oxygen which would usually push the bill to approximately \$750.00.

By year’s end, the Fire Department’s budget has been seriously pushed to its limits. With the advent of Prop 187 the District Fire Department funds were being threatened. Utilizing this method of contracting for private ambulance service seriously hampered the response time of the department to emergency calls. Since 80-90% of these calls involve reviving patients, it is not difficult to see why the firefighters were experiencing frustration.

The existing system did not provide for the 4-6 minute response time that is necessary to administer emergency care, not to mention the fact that contracting with private providers did not provide for cost effective revenue.

Organization of Infrastructure

The Vista Fire Department arrived at what seems like a simple, but effective solution. Why not train other firefighters to become paramedics and have them available on all calls. After all the Fire Department has to be on the scene anyway. If the Fire Department could provide the emergency care service and transport the patient, then the need to contract for private ambulance service would not be necessary. The current program incorporates this idea. The inception of this program began in 1996.

The starting costs of \$200,000 included the purchase of one new ambulance, and outfitting two of the existing fire engines with emergency paramedic equipment, at a total cost of \$50,000. The total start up costs came to \$200,000 and was borne by the City and the Fire Department.

Term of Agreement

The term of agreement between the private billing service and the Fire Department is from year to year.

Successes

Since the inception of the program in 1996, the Fire Department has returned approximately \$100,000 to the City coffers.

The State mandates a minimum of 48 hours per year to keep up paramedic skills. On-duty firefighter paramedics provide this training to the paramedics once a month in a commitment to provide paramedic firefighters with the most up to date information and techniques. They are compensated time and a half for this training. Anyone wishing to take the paramedic training certification course can do so through the local community colleges. This is a 1500-hour program that is mandated to qualify for paramedic licensing. Being paid time and a half for the time they spend taking courses also compensates individuals who enroll in this program.

The benefits to the community are that there has been and continues to be the best of emergency care service to the residents of Vista. The response times of 4-6 minutes is being met and the city enjoys the luxury of having two ALS units, as well as fully equipped engines and trained paramedics. The costs passed along to the patients for these services are the same, but the revenue collected, except for ongoing medical supplies and maintenance of equipment is returned to the City. The only other expenses that are taken are for the private sector billing service that charges a percentage of the bill, which accounts for 15-to 20% of the total, billed to the patient.

If city governments are to meet the demands of providing increased emergency response services, the city may have to become a model for other communities to follow.

RESULTS

This study sought to address the issues surrounding public-partnerships. More specifically, this paper has provided the reader with answers to the research questions posed in the Purpose Statement.

The test of significance lies in the degree of success that each of the partnerships and the benefits derived from the partnership. For each of the examples presented there was a significant increase in services to the consumer at a fraction of cost than would have been possible had there not been a partnership. In truth the partnerships were not selected because they were the exception, but chosen at random and because they were representative of partnerships occurring today in an attempt to overcome very large obstacles. Allowing the types of problems to continue without addressing them would be a monumental mistake that could result in tragedy for the public and private sector alike.

The common bond that occurs in all of these examples is a willingness to work together to accomplish that which they could not accomplish alone. Perhaps the term of agreement differs, or the capital infrastructure, or the benefits that each entity enjoys, but the spirit that binds individuals together sharing a vision, in a trusting environment is the quality that makes all things possible.

The research questions that have been addressed within study included:

1. How are public/private partnerships structured?

The answer depends on the needs of the entities entering into the partnership. In general, the public sector provides services, so the amount of capital outlay is minimized. It is the private sector that provides the majority of the capital. The partnership can be contractual in that the public sector provides a specific service in exchange for specific benefits. These benefits can vary from providing technology, redevelopment, to dollars. All of the terms of agreement that structure the partnership are designed and follow specific guidelines that have been previously agreed upon by all parties.

As has been demonstrated in this study, the nature of each of these examples varies according to the needs of those entering into the partnership. The capital venture is another arrangement in which investors from the private sector put up the necessary capital to accomplish agreed upon goals. The reasons for this investment do not always produce immediate results, such as in the Business/Educational Partnership. The thrust of this partnership lies in the future generations. Their vision is to provide the students of today and tomorrow with the necessary tools to enter the workplace better prepared than before. In this case business becomes a partner in the stewardship of the future.

2. Who brings what to a partnership?

The public sector provides the service(s), as in a utility company and the private sector provides the capital, the technology and the management to provide for the increased service that will be provided.

These are variation to this theme as well, in that the private sector may also provide manpower to assist in getting the job done, such as in the case of the Industry/University wherein both Industry and University provided scientists that worked toward achieving their goals.

3. What are the typical terms of agreement in public-private partnership?

A review of the literature does not indicate a “typical” term of agreement for these partnerships. The answer once again lies in the needs of the entities entering into the partnership. What can be deduced is that whatever the terms of agreement are, whether it includes length of agreement, or the specific benefits to each entity, that these particulars are hammered out before the signing of the legal document. What is also clear is that some of the agreed upon conditions are subject change. Case study #2 is a good example. In this instance, the private foundation providing the capital venture dollars have the right to withdraw funds if agreed upon deadlines are not met.

4. How are these partnerships monitored?

The literature reviewed on this question is specific to the partnership. The example of the partnership between the County of San Diego and the Private Foundation established to oversee the “Choices” program for repeat juvenile offenders, was a term of three year’s. A review of the success and the shortcomings of the program are to be accomplished in 1998, with a follow up report to each partner. A decision will then be rendered as to the viability of the program and a determination as to the future of the program will be made.

As a general rule, there are committees that are formed and remain intact for the length of the partnership. They may also be sub-committees that have formed as the result of the agreement. For example, the Industry/University Partnership had a Safety Committee that was formed which resulted in a reduction in the number of accident. This is an ongoing committee that monitored the safety conditions of the plant.

5. What are the benefits form partnerships?

If the benefits of partnerships were nothing more than learning to work together, then this alone should be counted as a benefit to those engaged in the partnership. This collaboration can and does produce many benefits to both entities, notwithstanding the potential monetary gains, new products, new techniques, and new technology, which all results in the essence of what partnerships should be all about. This is providing improved service to the public.

DISCUSSION

This paper has provided the reader with an opportunity to examine the nuances of public-private partnerships. Based on the evidence presented, the results clearly indicate that there is more to be gained from public-private ventures than without them. What is also clear is that there continues to be major shifts in demographics, international influence, and governmental policy to warrant the continued and aggressive pursuit of public-private partnerships. Without the continued efforts of such groups as the Industry-University Round Table and the forward thinking individuals involved in capital ventures, our ability to effectively resolve the problems that face society today would result in a further weakening in the public infrastructures that need revamping.

This study has presented several different examples of partnerships, all of which demonstrated overwhelming success. As different as they appear in terms of their problems, background and goal, they all came into the partnership with the idea that they could make more of a difference working together, than separately. While there is no one formula for success the following guidelines can be considered to be a good place to start.

1. A clear understanding at the beginning of the roles of the partners and the rules by which all parties could coexist.
2. A mutual perception of value as to the contribution each would make.
3. A mutual respect and appreciation of the organizational differences, working environments, and motivation.
4. A shared agenda and a desire to work together.
5. A willingness by all parties to work together and recognize the vision for all.
6. A commitment to strive toward accomplishing that which they set out to do.

There also needs to be a fervent desire by management to support and reward evidences of collaboration and an active effort to promote open, honest communication among all parties, for without this, no trust can ever be realized.

Robert Cushman a partner at Pepper, Hamilton and Sheetz in Philadelphia, states, “we need a national policy that recognizes the need for public/private partnerships based on the clear understanding

of the economics-the nature of design, construction and completion risks- and the requirements of those likely to provide financing.” (Ahrens, 1992)

Perhaps we should consider the words of Yuval Cohen, pH, and Chief economist at Parsons, Brinkeroff, Quade and Douglas, a New York transportation and engineering firm. He states that: “despite all of the recent discussion and interest, few viable privatization initiatives have emerged. Here lies the challenge-entrust private entities with risk/reward incentives as though they were outright owners and providers of the service or facility.” (Cohen, 1992)

As the number of successful partnerships grows it will be important to understand the factors that have contributed to their success and the underlying infrastructure that has provided the satisfaction of all parties involved in the partnership. (Cohen, Florida and Goe, 1994) (Giordan, 1995) (MacLachlan, 1994)

If there is one overriding issue facing the future successes of public private partnerships it is the willingness of the decision makers to put aside those ideas and philosophies that separate them from their competition and look toward new ventures as a means to an end.

RECOMMENDATIONS

The following research recommendations are made based on the information presented within this study.

1. This study should be replicated only with a narrower scope. For example, looking at the infrastructure of public-private partnerships that are engaged in improving services to the elderly.
2. Additional studies need to be done which emphasize the role of the Federal and State Government and their efforts to pass initiatives that will make it easier for public-private partnerships to occur.
3. A further investigation focusing in on the creative efforts to fund public-private partnerships is indicated.
4. A survey and examination of models used nationwide that address the continuing problem of waste management would also be recommended.

As the complexity of our world continues, we will be forced to turn toward new, more creative answers to solve problems that older technology cannot solve. It behooves all of us to begin searching for those strategies that will help alleviate these issues before they become insurmountable. (Blumenthal, 1996)

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